



Motor Fuels Tax Newsletter

News and developments

A publication of the Motor Fuels Tax Section

Cory Fong
Tax Commissioner

2005 Legislation – Fuel Tax Changes

Tax Rate Increases: *SB 2012* increases the tax on motor vehicle fuel (gasoline/gasohol) from \$.21 per gallon to \$.23 per gallon. It also increases the tax on special fuels (undyed diesel and any other special fuel for use in licensed vehicles) from \$.21 per gallon to \$.23 per gallon. The special fuel tax increase includes liquefied petroleum gas (propane) sold for use in licensed vehicles. These tax rate increases are effective July 1, 2005.

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Revised tax forms, Excel spreadsheets, and updated instructions will be available on our web site at www.ndtaxdepartment.gov by July 1, 2005. Paper forms will be mailed in early July.

E85: *HB 1478* imposes a motor vehicle fuel tax of \$.01 per gallon instead of \$.23 per gallon on the first 1,200,000 tax paid gallons of E85 sold on or after July 1, 2005. “E85” is defined as a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline that typically contains eight-five percent ethanol by volume, but at a minimum must contain sixty percent ethanol by volume.

There will be separate tax report forms for reporting the E85 transactions. Suppliers and distributors must notify the Motor Fuel Tax Section as soon as possible if they are now or will in the future handle E85.

Biodiesel: *SB 2217* extends the period through June 30, 2007 when a special fuel tax decrease may apply on diesel fuel containing biodiesel. The actual effective date for the tax reductions will be triggered by a certification that a refining facility is operational in North Dakota which has a production capacity of at least ten million gallons of biodiesel per year. In the event that such a plant becomes operational, the special fuel tax will be reduced as follows through June 30, 2007:

- Tax on diesel fuels without dye added and containing at least 2% biodiesel by weight will be reduced from \$.23 per gallon to \$.2185 per gallon.
- Tax on diesel fuels with dye added and containing at least 2% biodiesel by weight will be reduced from .02 times the sale price to .019 times the sale price.

“Biodiesel” means a biodegradable, combustible liquid fuel that is derived from vegetable oil or animal fat and which is suitable for blending with diesel fuel for use in internal combustion diesel engines.

Hydrogen: *HB 1496* provides that “hydrogen” used to power an internal combustion engine is exempt from special fuel taxes.



Office of
State Tax Commissioner
600 E Blvd Ave, Dept 127
Bismarck ND 58505-0599
701.328.3139
ndtaxdepartment.gov
taxinfo@state.nd.us
www.discovernd.com


No licensed entity should enter into any type of fuel transaction in ND with a business not licensed in this state.

Be sure to review the instructions for completing the fuel tax reports and schedules.


Fuel Transactions with Entities Not Licensed in North Dakota

North Dakota law requires suppliers, distributors, importers, and exporters to be licensed with the State Tax Commissioner PRIOR TO doing business in the state. This means that no licensed entity should enter into any type of fuel transaction in North Dakota with a business not licensed in this state. This applies to all fuel types; i.e. motor vehicle fuel, special fuels, liquefied petroleum gas, and aviation fuels.


In the event that fuel is sold in North Dakota to a nonlicensed entity in error, the applicable per gallon tax rate for the specific product must be charged and remitted. The nonlicensed entity will not be able to obtain a tax refund or create a tax credit for future use on any taxes incurred prior to obtaining a license in North Dakota.

The only exception will be a nonlicensed entity from another state making an occasional purchase in North Dakota, for export only, due to unavailability of the fuel in that entity's state. The selling supplier or distributor must charge and remit the applicable North Dakota per gallon tax unless prior arrangements have been made with the Tax Commissioner for the seller to act as the exporter, as in situations involving exports into Minnesota. In these situations, the purchaser will be granted a refund of the North Dakota tax based upon proof that the exported fuel was reported to the state of import. 

Motor Vehicle Fuel – Shrinkage Allowances Passed on to Retail Outlets


Suppliers and distributors selling motor vehicle fuel to retailers are required by law to pass on a one-half of one percent shrinkage and collection allowance. That allowance must be noted on the delivery invoice to the retailer. See the instruction manual for information on Schedules 5 and 5A. If you have any questions regarding this allowance, please contact the Fuel Tax Section at 701-328-3139 or e-mail us at fueltax@state.nd.us. 

Inventory Reconciliations

This is a reminder that although the inventories are technically reconciled each month on page 1 of the tax reports, the reconciliation on page 2 of the report forms should be done only when determining whether there is tax due on excess losses. The page 2 reconciliation must be done at least once in every 12-month period. When submitting a “final” report, the page 2 reconciliation is required to close out your account. Also, physical inventory reading records are required and must be maintained by the licensees for a period of three or more years. 

Data for Fuel Tax Reports and Schedules

Please be sure to review the instructions for completing the fuel tax reports and schedules. Some of the areas where we are noting discrepancies or the lack of data are:


State-assigned suffixes – The state assigned suffix consists of the two-digit number attached to your FEIN on your fuel tax licenses. The use of the suffix is required in the header information on the tax reports as well as in the “seller” and “purchaser” columns on the schedules. The default suffix is 70; however, there are licensees with more than one account whose suffixes are greater than 70. The suffix for terminal operators is 84. If entering nine 9's in the FEIN column, enter 99 as the suffix. The carrier FEIN does not include a state-assigned suffix. 

Document numbers – Document numbers are used to cross-check data between buyer and seller; therefore, each party must use the same document number to report the same load of fuel. See the instruction manual for additional information.

Gross Gallons – Gallons must be reported as “gross.” Gross gallons are required by law and are not an option.


Required fields – Fuel tax returns are processed through electronic media; therefore, all “required” fields must contain data. Schedules and tax reports cannot be processed without that information. See the instruction manual for additional information.

Summary transactions – Transactions covering sales of fuel for resale purposes may not be summarized. Those transactions must be detailed, and that includes sales to retailers.


Kerosene or other small volume fuel transactions – Petroleum products such as kerosene need to be reported using the correct product code assigned to them and need to be reported under the correct columns on the tax report. Inventories of these products need to be reported in the same manner as other fuels. 

If you have not yet signed up to file your fuel tax reports and schedules electronically, please do so.

Electronic Filing of Fuel Tax Reports and Schedules

If you have not yet signed up to file your fuel tax reports and schedules electronically, please do so. We are in the process of testing files for the accounts which have already filed their applications. If you filed an application and you are ready to test your files but have not heard from us, please contact Joan Galster at jgalster@state.nd.us or call her at 701-328-3139 so that we can expedite the process for you. 

Total Accountability for Liquefied Petroleum Gas (Propane)


In North Dakota, purchasers and sellers of propane have the same licensing requirements and the same accountability requirements as those for other special fuels such as diesel fuel. That means all parties purchasing and selling propane at processing plants or terminals must be licensed by the Tax Commissioner or they cannot do business in the state. All transactions must be reported in detail in the same manner as any other special fuel. 

Suppliers and distributors should be aware of the documentation requirements established by law for individuals or businesses seeking refunds of fuel taxes.

Documentation Requirements for Consumer Refunds

Suppliers and distributors should be aware of the documentation requirements established by law for individuals or businesses seeking refunds of fuel taxes. Retailers not licensed by the Tax Commissioner may not be aware of these requirements and are not always providing the refund applicants with invoices or sales tickets that can be accepted as valid documentation. That being the case, we are asking licensed suppliers and distributors for their assistance in passing on this information to their own retail outlets and to independent retailers with whom you do business. The invoices or sales tickets must include the following:

- The seller’s name and address (machine printed or rubber-stamped thereon).
- The date the fuel was purchased (month, day, year).
- The type of product (clearly identified).
- The number of gallons purchased.
- The state tax as a separate item, or a statement that the state tax is included in the price.
- The name of the person or business purchasing the fuel and claiming a refund.


None of the above items are negotiable. Histories of the transactions, in lieu of invoices or sales tickets, may be provided. The histories must be prepared and certified by the sellers of the fuel and must include all of the information required on an invoice or sales ticket. 

OFFICE OF STATE TAX COMMISSIONER

600 E. Boulevard Ave. Dept. 127
Bismarck, ND 58502-0599


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Future workshops

The Motor Fuel Tax Section is considering putting on two or three workshops, probably in late September or early October 2005, provided there is sufficient interest. Please notify Joan Galster at jgalster@state.nd.us or call her at 701-328-3139 if you are interested in attending such a workshop. 

Taxpayer Assistance

If you have questions regarding motor fuel tax or questions regarding correspondence received from our office, the following information will be helpful in ensuring that your call or visit to our office is completed in a speedy and efficient manner:

- To call our office with general motor fuel tax questions, you can call our Motor Fuels Tax Section at (701) 328-3139.
- If calling our office in regards to correspondence you have received, please call the number that is listed on the correspondence, and have a copy of the correspondence available when you call.
- When calling our office, note the name of the person assisting with your question in the event you will have any follow-up questions later.
- Instead of calling or visiting our office, you may also e-mail us at motorfuelstax@state.nd.us. 



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701.328.3139
ndtaxdepartment.gov
taxinfo@state.nd.us
www.discovernd.com

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